

Message Text

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ACTION EB-08

INFO OCT-01 AF-08 ARA-06 EA-07 EUR-12 NEA-10 ISO-00 IO-13

L-03 FRB-03 OMB-01 ITC-01 SP-02 USIA-06 AGRE-00

AID-05 CIAE-00 COME-00 INR-07 LAB-04 NSAE-00 OIC-02

SIL-01 STR-04 TRSE-00 CIEP-01 CEA-01 GSA-02 INT-05

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R 221215Z FEB 77

FM USMISSION GENEVA

TO SECSTATE WASHDC 5364

INFO AMEMBASSY BONN

AMEMBASSY CANBERRA

AMEMBASSY KINSHASA

AMZMBASSY LIMA 418

AMEMBASSY LONDON

AMEMBASSY LUSAKA

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY SANTIAGO

AMEMBASSY TOKYO

USMISSION OECD PARIS UNN

USMISSION EC BRUSSELS

USMISSION USUN NEW YORK

C O N F I D E N T I A L SECTION 1 OF 2 GENEVA 1258

E.O. 11652: GDS

TAGS: UNCTAD, EMIN

SUBJECT: UNCTAD/COPPER: SECOND EXPERTS GROUP MEETING

REF: GENEVA 1032

1. SUMMARY: SECOND WEEK OF SECOND INTERGOVERNMENTAL
EXPERT GROUP (UEG) ON COPPER TOOK UP PROPOSALS FOR
SPECIFIC MEASURES DESIGNED TO AFFECT THE COPPER MARKET
INCLUDING AN INTERNATIONAL BUFFER STOCK; SUPPLY MANAGEMENT
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MEASURES SUCH AS PRODUCTION AND EXPORT CONTROLS; A
PRODUCER/CONSUMER FORUM FOR COPPER; AND "INTERIM MEASURES",
MEANING MAINLY A PRODUCER PRICING SYSTEM FOR COPPER IN
INTERNATIONAL TRADE SIMILAR PARTLY RELATED TO U.S.
PRODUCER PRICE. DOCUMENTATION ON BUFFER STOCKS AND
SUPPLY MANAGEMENT MEASURES PROVIDED BY THE UNCTAD
SECRETARIAT WITH A MORE MODERATE PAPER BY FRANCE ALSO

SUPPORTING THE IDEA. U.S., EC, AND CANADIAN PAPERS ARGUED FOR THE ESTABLISHMENT OF A PRODUCER/CONSUMER FORUM FOR COPPER, WHILE THE COPPER EXPORTERS ORGANIZATION (CIPEC) WAS THE ADVOCATE FOR INTERIM MEASURES. NO PAPERS SUBMITTED BY LDCS WHETHER COPPER PRODUCERS OR NOT. END SUMMARY.

2. LED BY USDEL (HEWITT), CONSUMERS FOCUSED DISCUSSION ON BOTH THEORETICAL AND PRACTICAL ASPECTS OF A POSSIBLE BUFFER STOCK ARRANGEMENT. ON THE ANALYTICAL SIDE, CRITICS NOTED THAT THE BASIC PURPOSES TO BE SERVED BY AN AGREEMENT (STABILIZE PRICES OR RAISE THEM?) ARE UNCLEAR IN THE DOCUMENTATION; EXPLORED THE DIFFICULTY OF IDENTIFYING UNDERLYING TRENDS AND CONSTRUCTING PRICE STABILIZING MECHANISMS AROUND THEM; NOTED THE POSSIBLE ADVERSE EFFECTS OF A BUFFER STOCK ON MARKET SHARES, INVESTMENT FLOWS, NEW ENTRIES, AND SUBSTITUTION; AND EXAMINED THE RELATIVE ELASTICITIES OF SUPPLY AND DEMAND FOR COPPER CASTING DOUBT ON THE A PRIORI ASSUMPTION THAT A BUFFER STOCK NECESSARILY BENEFITS PRODUCERS. ON THE PRACTICAL SIDE DISCUSSION CONCENTRATED ON THE ENORMOUS COSTS OF A BUFFER STOCK FOR COPPER AND THE DIFFICULTY OF FINANCING IT WAS WELL AS COPING WITH THE COMPLEX COPPER ECONOMY.

3. FOCUS WAS MORE PRACTICAL THAN THEORETICAL IN DISCUSSION OF PRODUCTION AND EXPORT CONTROLS, QUOTAS, AND POSSIBLE IMPORT RESTRICTIONS. MANY CONSUMERS EMPHASIZED CONSTITUTIONAL, LEGAL, POLITICAL, AND ADMINISTRATIVE DIFFICULTIES THAT WOULD MAKE IT ALMOST CONFIDENTIAL

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IMPOSSIBLE TO ACCEPT CONTROLS. THEY WERE JOINED BY CANADA, AUSTRALIA, AND CHILE IN REJECTING CONTROLS WHILE USSR AND POLAND INDICATED CONTROLS WOULD NOT BE APPLICABLE TO SOCIALIST COUNTRIES. CONSUMERS AND SOME DEVELOPED PRODUCERS ALSO DISCUSSED THE DIFFICULTIES OF ENFORCING CONTROLS IN VIEW OF THE MANY FORMS IN WHICH COPPER IS TRADED AND THE COMPLEXITY OF THE TRADE.

4. DEBATE ON THE PRODUCER CONSUMER FORUM WAS LESS ONE-SIDED, PERHAPS BECAUSE IT IS MORE A POLITICAL THAN A TECHNICAL ISSUE. PREDICTABLY G-77 INCLUDING LDC COPPER PRODUCERS EXCEPT CHILE OPPOSED EARLY ESTABLISHMENT OF A P/C FORUM APPARENTLY BECAUSE THEY CONSIDER THE PROPOSAL AN ATTEMPT TO "CUT AWAY" COPPER FROM THE INTEGRATED PROGRAM AND UNCTAD WHILE CONSUMERS AND MORE DEVELOPED COPPER PRODUCERS DENIED INTENT TO SUBSTITUTE FORUM FOR FURTHER DISCUSSION OF A COMMODITY AGREEMENT AND SUPPORTED THE PROPOSAL ON PRACTICAL GROUNDS. PRIVATE CONVERSATIONS INDICATED THAT ALL SIGNIFICANT CONSUMERS AND PRODUCERS

(INCLUDING THE AFRICANS) FAVOR THE IDEA IN PRINCIPLE AND IT WOULD HAVE ENCOUNTERED LITTLE OPPOSITION IF IT HAD NOT BECOME ENTANGLED IN THE DEBATE OVER THE INTEGRATED PROGRAM. INDONESIAN DELEGATE (SOLEIMAN) CAME UP WITH A NEW WRINKLE BY PROPOSING THAT IEG COULD BE KEPT IN EXISTANCE INDEFINITELY AND SUGGESTING IT MIGHT BE NECESSARY TO POSTPONE MAY PREPARATORY MEETING.

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C O N F I D E N T I A L SECTION 2 OF 2 GENEVA 1258

5. PROPOSALS FOR "INTERIM MEASURES", CONSISTING MAINLY OF A PRODUCER PRICE AVERAGING LME AND U.S. PRODUCER PRICES, INTRODUCED BY CIPEC BUT RECEIVED RELATIVELY LITTLE DEBATE. MOST GOVERNMENTS INCLUDING U.S. INDICATED TERMS AGREEABLE TO PRIVATE CONTRACTING PARTIES NOT REALLY MATTERS FOR GOVERNMENTAL CONSIDERATION AND DECISION. USDEL ASSUMED A STANCE OF RESERVED NEUTRALITY WITH REGARD TO THIS PROPOSAL. CIPEC (SECGEN GIERONIK)

ANNOUNCED PROPOSAL WOULD BE PLACED BEFORE ITS COUNCIL OF
MINISTERS IN JUNE WITH A VIEW TO ESTABLISHING A PRODUCER
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PRICE SYSTEM FOR A SIX MONTH TRIAL PERIOD. WHILE MOST
CIPEC MEMBERS SUPPORT PRODUCER PRICE CONCEPT AUSTRALIA
STRONGLY OPPOSED. CANADA ALSO NEGATIVE IN ITS APPROACH
TO THIS PROPOSAL.

6. COMMENT: EXCEPT FOR RANDOM POLITICAL SHOTS BY
PERU AND INDONESIA, DISCUSSION FOCUSED ALMOST ENTIRELY
ON ECONOMIC AND TECHNICAL ASPECTS OF VARIOUS PROPOSALS.
LDC PRODUCERS AND G-77 MADE NO ATTEMPT EITHER TO MAKE
A SERIOUS CASE FOR A BUFFER STOCK AGREEMENT FOR COPPER,
OR TO ANSWER THE MAHY QUESTIONS AND PROBLEMS RAISED
BY CRITICS OF THE PROPOSAL. THE REASONS FOR THEIR
PASSIVITY ARE UNCLEAR. IT MAY BE THAT THE MATERIAL WAS
TOO DIFFICULT FOR THEM AND THEY FELT THEY COULD NOT
COMPETE ON AN EQUAL FOOTING. SOME G-77 SPOKESMEN TOOK
THE VIEW THAT INDUSTRIALIZED COUNTRIES COMMITTED THEM -
SELVES TO A COMMODITY AGREEMENT BY ADHERING TO
RESOLUTION 93 IV, AND THAT THIS ANALYSIS PHASE IS SIMPLY
A TEDIOUS STAGE PRIOR TO CONCRETE NEGOTIATIONS. USDEL
MADE CLEAR NO SUCH COMMITMENT EXISTS.

7. LINEUP ON BASIC ISSUES, AND ESPECIALLY A BUFFER
STOCK AGREEMENT, ABOUT AS EXPECTED. AMONG CONSUMERS
U.S., U.K., FRG, AND JAPAN GENERALLY OPPOSED. FRANCE,
BELGIUM, NETHERLANDS AND SCANDINAVIANS SYMPATHETIC BUT
NOT WARMLY ENTHUSIASTIC. AMONG PRODUCERS ONLY PERU AND
INDONESIA SEEM GENUINELY TO FAVOR A BUFFER STOCK AGREE-
MENT. AFRICANS GIVE LIP SERVICE TO IT, BUT ARE
REALLY MORE INTERESTED IN INTERIM MEASURES GIVING SOME
HOPE OF SHORT TERM RELIEF. CANADA, AUSTRALIA, AND CHILE
ARE OPOUSED. SOCIALIST COUNTRIES DISPLAYED A BENEVOLENT
MIEN, BUT CLEARLY UNWILLING TO ACCEPT ANY RESTRICTIONS
ON THEIR INDUSTRIES. NON-COPPER PRODUCING G-77 SOLIDLY
BEHIND AN AGREEMENT BUT KEPT A LOW PROFILE AT THIS
MEETING. IEG MEETING ENDED WITH NO REPORT OTHER THAN
CHAIRMAN'S SUMMARY. UNCTAD SECRETARIAT WILL PREPARE
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DRAFT MINUTES FOR SUBMISSION TO THE MARCH IEG MEETING,
WHICH IS CHARGED WITH PREPARING FINAL IEG REPORT AND
RECOMMENDATIONS IF ANY. MARCH MEETING IS LIKELY TO BE
MORE INTENSE AS THE DEBATE TURNS POLITICAL AND QUANTILETS

GO DOWN ON BOTH SIDES. CATTO

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Message Attributes

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TAGS: EMIN, UNCTAD
To: STATE
Type: TE
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